



MARKET ALERT

Friday 8 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6364	0.0020
NZD/AUD	0.9213	-0.0009
NZD/JPY	69.64	-0.57
NZD/EUR	0.5761	-0.0050
NZD/GBP	0.4965	-0.0011
NZD/CNH	4.4287	0.0334
AUD/USD	0.6908	0.0029
AUD/EUR	0.6253	-0.0048
EUR/USD	1.1047	0.0132
USD/CNH	6.9597	0.0305
GBP/USD	1.2818	0.0069
EUR/GBP	0.8618	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.13%	0.93%
2 year swap	1.03%	0.93%
10 year Govt	1.31%	1.21%

Market warp (some risk back in favour)

There was increased optimism about a trade deal between the US and China yesterday after China's Commerce Ministry said that the US and China have agreed to lift some tariffs on one another in stages if they reach a partial trade deal.

That optimism further dented the appeal of safe haven assets. Government bond yields in the Eurozone, UK and US jumped yesterday with the 10 year Treasury yield up 10 bps to 1.93%, and

the CHF, JPY and the gold price all fell. On the other side of the risk equation, the USD and sharemarkets rallied.

The NZD/USD rebounded but only recovered some of its losses after the previous data's labour market data. Expect swap rates to rise first thing this morning.

Australia's export boom continues

Australia recorded another stunning trade surplus in September of AUD7.18 billion, thanks to surging prices for its main commodity exports that offset sharp rises in the value of imported capital equipment and intermediate (non-merchandise) goods.

Prior to the start of 2019, Australia had never recorded monthly trade surplus above AUD4 billion. Every monthly trade surplus in 2019 has exceeded that level.

Not only is Australia earning more from what it exports but it is also applying some of those higher earnings to capital investment as shown up in the increased imports of capital equipment and intermediate (non-merchandise) goods over recent months.

The trade data gave the AUD a boost and insulated it again a stronger USD and weaker NZD/USD yesterday, resulting in the AUD/USD holding above 0.6900 and the NZD/AUD dropping to almost 0.9200.

BoE joins ranks of worried central banks

The BoE's MPC yesterday held steady all its policy settings. However, the decision was not unanimous and there were some worries expressed. Two MPC members voted to cut the BoE's Bank Rate from 0.75% to 0.50% as there *"were downside risks to the MPC's projections from a weaker world outlook and from more persistent Brexit uncertainties."*

Both the MPC statement and follow up press conference by BoE Governor, Mark Carney, stressed that the BoE's core scenario is for *"an orderly transition to a deep free trade agreement between the United Kingdom and the European Union"* and, on that basis its next move will be an interest rate rise, *"though not until the second half of 2020."*

The BoE warned that *"if global growth fails to stabilise or if Brexit uncertainties remain entrenched, monetary policy may need to reinforce the expected recovery in UK GDP growth and inflation."* Carney reinforced that by noting that the UK labour market is softening. UK and global growth risks are skewed to the downside and the world risks *"slipping into a low growth rut."*

The GBP/USD fell 80 points to 1.2800 after the MPC statement. It rebounded but fell again, but not so dramatically, after Carney's comments that were seen as leveraging up the risks to the UK and GBP should Brexit become even more protracted (as markets expect).

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DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.24					CAD	0.8387 0.9103
NZD/USD	0.6364	0.0004	0.0011	0.0020	0.0037	CHF	0.6344 0.6885
NZD/AUD	0.9213	-0.0002	-0.0005	-0.0009	-0.0014	CNY	4.4407 4.8200
NZD/JPY	69.64	-0.07	-0.30	-0.57	-1.11	DKK	4.3054 4.6732
NZD/EUR	0.5761	-0.0008	-0.0026	-0.0050	-0.0099	FJD	1.3901 1.5089
NZD/GBP	0.4965	-0.0001	-0.0006	-0.0011	-0.0021	HKD	4.9804 5.4058
						KRW	734.01 796.71
AU TWI	59.60					MYR	2.6326 2.8575
AUD/USD	0.6908	0.0005	0.0015	0.0029	0.0050	NOK	5.7963 6.2914
AUD/NZD	1.0854	0.0002	0.0006	0.0011	0.0017	SEK	6.1264 6.6497
AUD/JPY	75.59	-0.07	-0.29	-0.54	-1.09	SGD	0.8635 0.9373
AUD/EUR	0.6253	-0.0007	-0.0025	-0.0048	-0.0098	TWD	19.30 20.95
AUD/GBP	0.5389	-0.0001	-0.0004	-0.0007	-0.0015	ZAR	9.3577 10.1570
USD Index	98.17						
EUR/USD	1.1047	0.0021	0.0070	0.0132	0.0257	EQUITIES	
USD/JPY	109.44	-0.18	-0.66	-1.23	-2.36		Index
GBP/USD	1.2818	0.0011	0.0038	0.0069	0.0129	NZX50	10,795
EUR/GBP	0.8618	0.0009	0.0028	0.0056	0.0113	ASX200	6,727
						Dow Jones	27,738
						S&P 500	3,091
						FTSE100	7,406
						DAX 30	13,289
						Nikkei	23,330
						COMMODITIES	
							USD
						Dubai Light	61.28
						Brent Crude	62.64
						Gold	1,465.26
						Silver	17.04
						CRB Index	191.44
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.15%	1.11%	0.92%	0.90%		
90 day bank bills		1.15%	1.11%	0.95%	0.91%		
FRA 90d in 3mths		1.03%	1.00%	0.92%	0.87%		
FRA 180d in 6mths		1.04%	0.97%	0.98%	0.94%		
1 year swap*		1.06%	1.03%	0.90%	0.89%		
2 year swap*		1.04%	1.01%	0.94%	0.92%		
3 year swap*		1.06%	1.03%	0.97%	0.96%		
5 year swap*		1.16%	1.12%	1.18%	1.16%		
10 year swap*		1.48%	1.45%	1.48%	1.48%		
10 year Govt bond			1.30%		1.21%		

* Semi-annual rate resets except AUD 1,2,3 year quarterly

SOURCE: Bloomberg

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